

ASX Announcement

Transformational Equity Raising

20 June 2019



Key highlights:

- **Fully underwritten non-renounceable entitlement offer to raise \$23.2m**
- **New funding will be used to accelerate development of the Nolans Project as Arafura aims to become Australia's next fully integrated neodymium-praseodymium producer**
- **Welcoming of Talaxis Limited, a specialist rare earths project developer, as a strategic sub-underwriter which has agreed to sub-underwrite \$7.2 million of the entitlement offer**
- **Appointment of Patersons Securities Limited as Lead Manager and Underwriter**
- **Potential for Talaxis and Arafura to work together on strategic funding alternatives and product supply chain solutions**

Arafura Resources Limited (ASX: ARU) (**Arafura, the Company**) is pleased to announce a fully underwritten 7 for 20 non-renounceable entitlement offer (**Entitlement Offer**) at \$0.085 per share (**Offer Price**) to raise \$23.2 million (before costs) through the issue of 273,491,090 new Arafura shares (subject to rounding) (**New Shares**).

Arafura intends to use the funds raised under the Entitlement Offer:

- to progress further development of the Nolans NdPr Project including Project execution readiness to allow award of key design and project management contracts, commencement of front end engineering design work, completion of early contractor involvement phase and the delivery and tender of long lead procurement items and early works construction contracts;
- for an exploration and metallurgical program aimed at potentially increasing the Nolans Project mine life; and
- for ongoing working capital.

Please refer to slide 9 of Arafura's investor presentation for the Entitlement Offer that was announced to ASX today for a breakdown of the amount intended to be allocated to each of the above items.

The Entitlement Offer is anticipated to open on 28 June 2019 and close on 12 July 2019.

The record date under the Entitlement Offer is 7.00pm (AEST) on 25 June 2019 (**Record Date**). Entitlements are non-renounceable and accordingly cannot be traded on the ASX.

The Offer Price of \$0.085 per New Share under the Entitlement Offer represents a discount of 32.00% to \$0.125, being the last closing price of Arafura shares before announcement of the Entitlement Offer. The Offer Price also represents a discount of 25.36% to the 10 day VWAMP of Arafura shares before announcement of the Entitlement Offer.

The New Shares to be issued will rank equally with existing Arafura shares on issue at the time of issue.



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Entitlement Offer

Eligible shareholders with a registered address in Australia or New Zealand as at the Record Date (**Eligible Shareholders**), have the opportunity to take up their entitlement of New Shares at the Offer Price, on the terms and conditions outlined in the Offer Booklet in relation to the Entitlement Offer (**Offer Booklet**) to be sent to Eligible Shareholders on or around 28 June 2019. The Entitlement Offer is anticipated to close on 12 July 2019.

Eligible Shareholders can choose to take up all, part, or none of their entitlements.

The Entitlement Offer is fully underwritten by Patersons Securities Limited pursuant to the terms of an underwriting agreement which contains customary conditions and termination events. Talaxis Limited (**Talaxis**) has agreed to sub-underwrite \$7.2 million of the Entitlement Offer.

Talaxis was established in 2016 and is a wholly-owned subsidiary of Noble Group Holdings Limited (Noble Group). Noble Group is Asia's leading independent energy products and industrial raw materials supply chain manager. Noble Group trades energy raw materials, special ores and industrial minerals, base metals, aluminium and technology metals, supported by its freight and logistics operations. Talaxis invests and participates in the development of projects in the technology metals sector, with a special focus on rare earths. Talaxis leverages Noble Group resources through access to logistics and supply chain management and can also assist with the design and structure of financing solutions.

Talaxis, through its potential investment in Arafura (through its sub-underwriting of the Entitlement Offer), is looking to align itself with existing shareholders to minimise dilution and preserve shareholder value. Talaxis also seeks to play a significant part in bringing the Nolans Project production to various destination markets throughout the world. Talaxis' marketing services are client-oriented "white-label" solutions that will enable Arafura to maintain its brand name and also to optimise its product distribution. Through developing and bringing the Nolans Project into production, Arafura believes that it has the potential to redesign the NdPr market dynamics. Arafura will work over the coming months to refine the basis in which it will seek to partner with Talaxis for the provision of product, project and capital related services for the Nolans Project.

Further details regarding the underwriting arrangements will be set out in the Offer Booklet to be sent to Eligible Shareholders on or around 28 June 2019.

New Shares under the Entitlement Offer are expected to be issued on 19 July 2019. Arafura will, upon issue of the New Shares under the Entitlement Offer, seek quotation of the New Shares on ASX.

Please note that shareholders with a registered address outside Australia or New Zealand on the Record Date are ineligible to participate in the Entitlement Offer.

Management Comment

Arafura Managing Director Gavin Lockyer said: *"This is a milestone equity raising for the company and we encourage all shareholders to participate. We are particularly excited about the potential to team up with Talaxis, a company that possesses certain skills and expertise that will be invaluable in moving Arafura's 100%-owned Nolans Project into development. Nolans continues to stand out as one of the best and most advanced NdPr projects in a tier one jurisdiction at a time when security of NdPr supply is emerging as a major issue around the world."*

Mark Southey, Chairman of Arafura said: *"For Arafura and its shareholders, this equity raising represents a timely and significant underpinning of the Nolans project at a time when NdPr is rightfully gaining attention as one of the critical future strategic materials. We also value the opportunity to benefit from Talaxis expertise to support Arafura in this endeavour and as such I would encourage all shareholders to participate."*

Daniel Mamadou, Executive Director of Talaxis said: *"A deficit in the supply of neodymium is looming and only a few projects are truly in a position to bring on meaningful production in time. As a solutions provider to the technology metals sector, Talaxis seeks to enable the flow of critical materials. Our partnerships are based on a careful selection process and we are very pleased to collaborate with Arafura on this exciting journey."*

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Paul Brough, Chairman of Noble Group Holdings Limited said: *“Secular trends are reshaping global energy markets and Noble Group is well positioned to take advantage of opportunities that arise from the transition in world energy. We recognise the growing importance of technology metals to the global renewable energy sector, as well as to broader technological industries. Noble Group sees this as a core, strategic business growth area and we are excited to be involved in this important project that will ensure the global supply of these vital materials. Our dedicated technology metals platform gives us an edge as a service provider to the electric vehicle industry, the energy storage and the renewables sectors, across the entire supply chain.”*

Key dates

Event	Date
Announcement of the Entitlement Offer	20 June 2019
Shares recommence trading on ASX on an “ex-entitlement” basis	24 June 2019
Record Date for the Entitlement Offer	7.00pm (AEST) 25 June 2019
Entitlement Offer opens	28 June 2019
Offer Booklet despatched	28 June 2019
Entitlement Offer closes (Closing Date)	5.00 pm (AEST) 12 July 2019
Issue of New Shares under the Entitlement Offer	19 July 2019
New Shares issued under the Entitlement Offer commence trading on ASX on a normal basis	22 July 2019

All dates and times referred to are based on Australian Eastern Standard Time and are subject to change. Arafura reserves the right to vary these dates or to withdraw the Entitlement Offer at any time.

In accordance with the instructions in the Offer Booklet and on the Entitlement and Acceptance Form (to be sent to Eligible Shareholders by post), Eligible Shareholders may complete the Entitlement and Acceptance Form and return it to Arafura’s share registry together with a cheque, bank draft or money order. Payments can also be made by BPAY® utilising the Biller Code and reference number that will be provided on the Entitlement and Acceptance Form by 5:00pm (AEST) on 12 July 2019. Alternatively, payment by cheque, bank draft or money order must be received by 5:00pm (AEST) on 12 July 2019.

Online Process

Alternatively, Eligible Shareholders may participate in the Entitlement Offer by submitting an online acceptance and making a BPAY® payment by 5:00pm (AEST) on 12 July 2019. The process will be available from 28 June 2019. To utilise the online process, follow the steps outlined below:

1. Visit Arafura’s website at www.arultd.com.
2. Click on the “Entitlement Offer – Apply here” button.
3. You will first need to complete the Country Validation to confirm your eligibility.
4. To accept online, you will be required to enter your Security Reference Number (SRN) or Holder Identification Number (HIN), shareholding Surname or Company name and your registered postcode.
5. Note, you will need to put an X or I before your HIN/SRN to log in.
A HIN, being Broker sponsored, commences with an “X”. If you have an account number from a CHESSE statement, you will need to add an “X” to the front of the account number to log in.
A SRN, being Issuer sponsored commences with an “I”. You will need to enter the “I” followed by the 11 digit number to log in. (Note: if your SRN has less than 11 digits, add enough zeros to the front to ensure it has 11 digits).
6. Submit your acceptance by following the instructions outlined in the online form.

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7. Make your BPAY® payment so it is received by 5.00 pm (AEST) on 12 July 2019. If you have successfully completed the online form the system will generate a unique BPAY reference number.

Investor Enquiries

For further information in regard to the Entitlement Offer, please contact the Arafura Shareholder Information Line on 1300 730 659 (within Australia) or +61 1300 730 659 (outside Australia) at any time between 8.30am and 5.30pm (AEST), Monday to Friday (excluding public holidays) during the offer period.

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the information and any action on the basis of the information.

Further Information

Patersons Securities Limited has been appointed as Lead Manager and Underwriter to the Entitlement Offer.

Johnson Winter & Slattery is acting as legal adviser to Arafura.

Amvest Capital Inc (acting through Mann Mann Jensen Partners LP) also assisted the Company.

Further details about the Entitlement Offer are contained in a separate investor presentation that was announced to ASX today.

Summary Information

The following disclaimer applies to this announcement and any information contained in it. The information in this announcement is of general background and does not purport to be complete. It should be read in conjunction with Arafura's other periodic and continuous disclosure announcements lodged with ASX Limited, which are available at www.asx.com.au. You are advised to read this disclaimer carefully before reading or making any other use of this announcement or any information contained in this announcement. In accepting this announcement, you agree to be bound by the following terms and conditions including any modifications to them.

Forward Looking Statements

This announcement includes forward-looking statements. These statements relate to Arafura's expectations, beliefs, intentions or strategies regarding the future. These statements can be identified by the use of words like "will", "progress", "anticipate", "intend", "expect", "may", "seek", "towards", "enable" and similar words or expressions containing same.

The forward-looking statements reflect the Arafura's views and assumptions with respect to future events as of the date of this announcement and are subject to a variety of unpredictable risks, uncertainties, and other unknowns. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, many of which are beyond our ability to control or predict. Given these uncertainties, no one should place undue reliance on any forward looking statements attributable to Arafura, or any of its affiliates or persons acting on its behalf. Arafura does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Neither Arafura nor any other person, gives any representation, warranty, assurance, nor will guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. To the maximum extent permitted by law, Arafura and each of its advisors, affiliates, related bodies corporate, directors, officers, partners, employees and agents disclaim any responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise.

Not for release to US wire services or distribution in the United States

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